

Message Text

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ACTION NEA-10

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FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 8848
INFO AMEMBASSY ABU DHABI
AMEMBASSY JIDDA
AMCONSUL DHHAHRAN
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USLO RIYADH

UNCLAS KUWAIT 4809

STATE FOR NEA/ARP
USDOC FOR BIC/CAGNE

E.O. 11652: N/A
TAGS: BEXP, KU
SUBJECT: PROPOSED PENNSYLVANIA IOGA - FEBRUARY 1978

REF: (A) STATE 191396, (B) JIDDA 5687, (C) DHAHRAN 966,
(D) ABU DHABI 2358, (E) STATE 198961

1. KUWAIT'S CONTINUING HEAVY ACTIVITY IN ITS RESIDENTIAL HOUSING PROJECTS (25,000 UNITS ESTIMATED TO BE COMPLETED BY END OF 1979) AND IN OFFICE CONSTRUCTION (THREE 22 STORY BUILDINGS TO BE BEGUN IN 1978) BODES WELL FOR THE MARKET IN HOME AND OFFICE FURNISHINGS. THE LATEST STATISTICAL ABSTRACT OF KUWAIT'S FOREIGN TRADE GIVES FURNITURE IMPORTS FOR 1975 AS AMOUNTING TO KD 5 MILLION OR ROUGHLY \$ 17 MILLION. FURNITURE IMPORTS HAVE BEEN GROWING AT AN AVERAGE ANNUAL RATE OF 50 PERCENT SINCE 1973. THE U.S. SHARE OF THIS MARKET HAS BEEN HISTORICALLY SMALL. OF THE ESTIMATED KD 8 MILLION (APPROXIMATELY \$ 27.5 MILLION) IN FURNITURE IMPORTS IN 1976, U.S.

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PRODUCTS ACCOUNTED FOR ONLY \$ 678,000. THIS RELATIVELY POOR SHOWING IS TRACEABLE TO (A) HIGHER FREIGHT COSTS FOR U.S. HOME AND OFFICE FURNITURE BECAUSE OF LONGER DISTANCES AND (B) THE ABSENCE OF U.S. MARKET PROMOTION.

2. A WELL PREPARED TRADE MISSION COULD FACILITATE GREATER MARKET PENETRATION FOR AMERICAN FURNITURE

PRODUCTS, IF THE STYLING OF THE PRODUCT LINES FIT LOCAL TASTES (I.E. MODERN, PLUSH, CHROME STYLE, NOT COLONIAL AS PER REFTEL B), IF EXECUTIVE AND MIDDLE MANAGEMENT OFFICE FURNITURE WERE INCLUDED, AND IF C AND F PRICES ARE QUOTED AND ARE COMPETITIVE WITH THOSE OF EUROPEAN AND JAPANESE FIRMS.

3. THE ONLY PROBLEM FACING THE PENNSYLVANIA IOGA IS THAT OF TIMING. THE POSSIBLE CONFLICT WITH THE F AND E EXHIBIT IN THE U.A.E. (REFTEL D) MAKES US ALSO RATHER HESITANT. LOCAL FURNITURE IMPORTERS ARE AWARE OF THE EXHIBIT AND ARE CONSIDERING ATTENDING IT. EARLIER SCHEDULING IS PROBABLY ADVISEABLE. IF PENN. IOGA COMES TO KUWAIT AND INCLUDES HOME APPLIANCES, WE WOULD NOT BE PREPARED TO HOST HOME APPLIANCE MISSION SINCE TWO SIMILAR MISSIONS IN ONE YEAR WOULD BE BE EFFECTIVE HERE, AS IN ABU DHABI (REF D, PARA 5).

4. HOME ENTERTAINMENT EQUIPMENT, ALTHOUGH ALWAYS A POPULAR ITEM AMONG KUWAITI CONSUMERS, IS SUBJECT TO INTENSE PRICE COMPETITION FROM JAPANESE AND EUROPEAN SUPPLIERS. PRICING AND CREDIT TERMS ARE THE KEYS TO SUCCESS IN THIS AREA.

5. TRANE, CARRIER, AND CHRYSLER DOMINATE CENTRAL A/C'S, WHILE GIBSON AND GENERAL CAPTURE

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THE WINDOW UNITS MARKETS. THERE IS CONSIDERABLE INTEREST AMONG IMPORTERS FOR AGENCY LINES, BUT INTEREST MUST BE MEASURED AGAINST SERVICE CAPACITY, WHICH IS GENERALLY THE BIGGEST MISSING FACTOR IN THE MARKET. AIR CONDITIONERS MUST EXCEED 24,000 B.T.U.'S AND HAVE FEATURES THAT THE MARKET DEMANDS, I.E. VARIABLE SWEEP FANS.

6. APPLIANCES REPRESENT ANOTHER INTENSIVELY PRICE COMPETITIVE AREA. ELECTRICAL OUTLET CONFIGURATION, 50 CYCLE, 220 VOLTS ARE THE REQUIREMENTS BEYOND A LOW PRICE.

7. RECEIPT OF BROCHURES VIA AIR POUCH 6 WEEKS PRIOR TO MISSION ARRIVAL IS NECESSARY FOR PROMOTIONAL EFFORT TO BE A SUCCESS.

8. MISSION SHOULD AVOID FEB. 20-26, 1978 PERIOD, WHEN EMBASSY KUWAIT WILL BE PREPARING FOR CELEBRATION OF FEB. 25 NATIONAL DAY.

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